

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

In re:	PROMESA
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO,	Title III
as representative of	No. 17-bk-3283-LTS
THE COMMONWEALTH OF PUERTO RICO, et al.,	(Jointly Administered)
Debtors.	

**SUMMARY SHEET**

**FOURTH INTERIM APPLICATION OF CITIGROUP GLOBAL  
MARKETS INC. FOR ALLOWANCE OF COMPENSATION FOR SERVICES  
RENDERED AND REIMBURSEMENT OF EXPENSES INCURRED AS INVESTMENT  
BANKER AND FINANCIAL ADVISOR TO THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD, FROM OCTOBER 2018-JANUARY 2019**

Applicant: Citigroup Global Markets Inc.

Authorized to Provide Services to: The Financial Oversight and Management Board for Puerto Rico

Date of Retention: January 27, 2017

Compensation Period: October 1, 2018-January 31, 2019

Compensation Sought: \$1,975,000

Expense Reimbursement Sought: \$41,623.98

Total Sought: \$2,016,623.98

This is a:    monthly   X   interim    final application

**SUMMARY OF TIME DETAIL FROM  
COMPENSATION PERIOD IN EXHIBITS 1-2**

Name	Title		Hours
Core Team Serving FOMB			
Green, Thomas H.	Managing Director	30+	619
Brownstein, David	Managing Director	30+	894
Gavin, John C.	Managing Director	30+	532
Leung, George	Managing Director	30+	220
Cohen, Daniel	Director	30+	170
Castiglioni, James	Director	10	664
Keca, Dashmir	Assoc. Vice President	10	281
Public Side/Specialist Employees	Various	--	1,500
Subtotal:			4,880
PREPA Transformation Team			
Sen, Sandip	Managing Director	30+	90
Chapados, Frederic	Director	10	254
Orendain, Joseph	Director	10	12
Ramos, Ernesto	Vice President	10	6
Shones, Mariah	Vice President	5	626
Yu, Daniel	Vice President	5	219
Bond, Daniel	Assoc. Vice President	3	477
Delgado, Daniela	Analyst	2	6
Hall, Chris	Analyst	2	350
Subtotal:			2,040

**Total:** 6,920

**SUMMARY OF EXPENSE ITEMIZATION FROM  
COMPENSATION PERIOD IN EXHIBIT 3**

Category	Amount
Airfare	\$15,574.33
Ground Transportation	\$6,608.81
Meals	\$718.53
Hotel/Lodging	\$11,609.61
Legal	\$7,112.70

**Total:** \$41,623.98

**PRIOR FEE APPLICATIONS**

<b>Period Covered</b>	<b>Date Filed (ECF #)</b>	<b>Fees Requested</b>	<b>Expenses Requested</b>	<b>Order Date ECF#</b>	<b>Fees Allowed</b>	<b>Expenses Allowed</b>
5/3/17-1/31/18	4/23/18 ECF#2944	\$625,000	\$60,971.21	1/30/19 ECF#2998	\$625,000	\$28,780.19
2/1/18-5/31/18	10/5/18 ECF#4020	\$1,803,571.43	\$40,912.98	7/24/20 ECF#13824	\$1,803,571.43	\$30,513.96
6/1/18-9/30/18	1/25/19 ECF#4897	\$1,975,000	\$20,450.63	6/1/20 ECF#13296	Adjourned	Adjourned
5/5/17-2/12/19 Re: COFINA Success Fee	6/10/19 ECF#7341	\$5,873,156.76	\$0	7/24/20 ECF#13724	\$5,873,156.76	\$0

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THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO,	Title III
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THE COMMONWEALTH OF PUERTO RICO, et al.,	(Jointly Administered)
Debtors. <sup>1</sup>	

**FOURTH INTERIM APPLICATION OF CITIGROUP GLOBAL  
MARKETS INC. FOR ALLOWANCE OF COMPENSATION FOR SERVICES  
RENDERED AND REIMBURSEMENT OF EXPENSES INCURRED AS INVESTMENT  
BANKER AND FINANCIAL ADVISOR TO THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD, FROM OCTOBER 2018-JANUARY 2019**

Citigroup Global Markets Inc. (“Citi”), investment banker and financial advisor to The Financial Oversight and Management Board for Puerto Rico (“FOMB”), as representative of the Debtors pursuant to PROMESA section 315(b), submits its fourth interim application for allowance of compensation for services rendered from October 1, 2018-January 31, 2019 (“Compensation Period”) in the amount of \$1,975,000 and reimbursement of actual, necessary expenses incurred during such period in the amount of \$41,623.98, pursuant to PROMESA sections 316-17, Rule 2016 and P.R. LBR 2016-1, and states:

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<sup>1</sup> The Debtors in these Title III Cases, along with the last four digits of their respective Federal Tax ID numbers, are: (i) Commonwealth of Puerto Rico (“Commonwealth”) (3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (9686); and (v) Puerto Rico Electric Power Authority (“PREPA”) (3747).

## **JURISDICTION**

1. The Court has subject matter jurisdiction to consider this application, pursuant to PROMESA section 306(a). Venue is proper in this district, pursuant to PROMESA section 307(a).

## **BACKGROUND**

2. The Commonwealth commenced its Title III case on May 3, 2017; COFINA commenced its Title III case on May 5, 2017; HTA and ERS commenced their Title III cases on May 21, 2017; and PREPA commenced its Title III case on July 2, 2017.

3. Pursuant to PROMESA section 315(b), the FOMB is the representative of each Debtor in its respective Title III case.

4. Citi was originally employed as investment banker and financial advisor to the FOMB, pursuant to an engagement letter, dated January 27, 2017 [ECF No. 2944-1]. That agreement provided for Citi to be paid a fixed monthly retainer of \$250,000, and a success fee equal to .0333% of the par amount of bonds issued by certain covered entities, or restructured as part of a PROMESA-related restructuring, subject to a cap and payable on closing of the relevant transaction(s), in addition to the reimbursement of reasonable out-of-pocket expenses, also subject to a cap.

5. That agreement was superseded by an amended and restated engagement letter, dated February 13, 2018 [ECF No. 2944-2]. The amended agreement kept the foregoing compensation terms, but expanded the scope of services to be rendered to include, *inter alia*, identifying private sector solutions in connection with PREPA's restructuring, and advising on long-term concessions for the utility's transmission and distribution assets and privatization of its generation assets. The amended agreement also provided for Citi to receive, as additional compensation for the foregoing additional services, a fixed monthly retainer of \$400,000 and success fee.

6. Hours expended by members of Citi's core team (estimated by each of them) in providing services to the FOMB during the Compensation Period are included in Exhibit 1. Exhibit 2 lists hours expended by members of Citi's PREPA transformation team (estimated by each of them) during the Compensation Period.

7. An itemized list of expenses incurred during the Compensation Period for which reimbursement is sought is annexed hereto as Exhibit 3.

8. Monthly invoices for services rendered on behalf of the Title III Debtors during the Compensation Period are annexed hereto as Exhibit 4.

9. Citi performed *inter alia* the following services during the Compensation Period, as is summarized below:<sup>2</sup>

#### **OCTOBER 2018**

- Meetings and calls with PREPA ad hoc bondholder group and initial supporting bond insurers regarding implementation of steps for the new PREPA RSA;
- Meetings and calls concerning the PREPA generation plan;
- Development of COFINA fiscal plan, in connection with then-contemplated confirmation of COFINA plan of adjustment;
- Development of new Commonwealth fiscal plan, and updating of related debt sustainability metrics; and re-writing of DSA chapter and analysis for Commonwealth fiscal plan;
- Calls with tax counsel regarding documenting request to IRS relating to maximizing tax exempt treatment of interest for new COFINA bonds;
- Meetings with various Commonwealth creditors regarding PREPA RSA and progress on implementing COFINA plan of adjustment based on agreements reached at mediation sessions in Summer of 2018;

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<sup>2</sup> The summary provided herein and in the exhibits to this application do not fully capture the many daily discussions Citi team members routinely have with the FOMB's executive director, in-house counsel, board members and other advisors concerning restructuring strategy, related litigation and other related aspects of Citi's PROMESA work.

- Meetings and negotiations with PREPA creditors not yet supportive of proposed new PREPA RSA;
- Work with FOMB staff to respond to commentary regarding agreement reached at COFINA mediation;
- Participation in meetings and calls regarding updated Commonwealth fiscal plan long-term model, and review of and preparation for same;
- Discussions with AAFAF advisors regarding rating agency matters;
- Participation in FOMB weekly board discussions regarding Commonwealth's new fiscal plan and debt sustainability matters and regarding both PREPA RSA developments and the PREPA transformation P3 process;
- Preparation for and participation in FOMB board and advisors debt strategy session in San Juan;
- Meetings and calls on IRS Qualified Management Agreement rules and their importance in design of the PREPA T&D with a view towards minimizing adverse consequences resulting from PREPA legacy and future restructured debt;
- Review of Commonwealth bills proposing to change certain aspects of Puerto Rico sales and use tax, to assess compliance with COFINA agreements;
- Joint strategy session with AAFAF advisor team on various Title III credits;
- Meetings and calls with mediation team and FOMB;
- FOMB strategy meetings in Washington, D.C., and further meeting in Washington, D.C. with various creditors;
- Preparation and presentation to FOMB as to Commonwealth restructuring incorporating COFINA agreement, including long term liability management concepts for consideration and framework for pension trust to protect retirees;
- Aid FOMB in developing responses to media reports regarding PREPA RSA and COFINA agreement;
- In conjunction with public side employees, field numerous calls regarding COFINA mediated settlement and proposed amendments;
- Analysis regarding current market trading levels and holders of each of the Puerto Rico credits;
- Aid and educate COFINA creditors on claims reconciliation.

**NOVEMBER 2018**

- Multiple meetings with AAFAF and its advisors regarding Commonwealth plan of adjustment and potential debt restructuring terms;
- Multiple meetings with FOMB advisors including Proskauer Rose regarding Commonwealth's Title III proceeding
- Calls with FOMB accounting advisor regarding pending SUT tax bills and potential impact on COFINA revenues and proposed agreements respecting COFINA plan;
- Work on new COFINA indenture and related bond documentation;
- Review of new COFINA legislation designed to implement then-proposed COFINA plan and facilitate issuance of new securities;
- Meetings with supporting PREPA creditors on documentation of new PREPA RSA;
- Meetings with AAFAF advisors and various Commonwealth creditors regarding creditor proposals for restructuring Commonwealth debt;
- Review of creditor financial expert affidavits filed concerning PREPA;
- Preparation of materials for meetings with bond rating agencies regarding developments in Title III Cases;
- Review of initial drafts of Commonwealth plan of adjustment-related documents;
- Meetings and calls with FOMB's cash analysis consultant regarding Puerto Rico cash balances and restriction analysis;
- FOMB strategy session concerning Commonwealth covering diverse range of topics including pension and retiree liabilities, plan confirmation requirements, debt restructuring alternatives and capacity under most recently certified Commonwealth fiscal plan, status of the FOMB's cash consultant's review of Commonwealth cash and restrictions, ERS, TRS, JRS, PREPA RSA and PRASA federal loan negotiations;
- Presentations to FOMB regarding Commonwealth GO restructuring incorporating COFINA agreement;
- In conjunction with public side employees, field numerous calls regarding COFINA mediated settlement and proposed amendments;
- Preparation for December rating agency meetings regarding developments concerning Puerto Rico;
- Presentation to the Board of Federally Protected Municipal Bond Credits, and preparation for same;

- Briefing of FOMB board on PREPA RSA developments, related issues and next steps;
- Review and analysis of several creditor (strawman) proposals as to Commonwealth GO debt;
- Analysis regarding current market trading levels and holders of each of the Puerto Rico credits.

## **DECEMBER 2018**

- Multiple rating agency meetings in New York regarding PROMESA and COFINA proposed plan of adjustment and new securities to be issued thereunder;
- Tax counsel calls regarding PREPA RSA “Tranche A” / “Tranche B” bond structure;
- Additional development work with AAFAF team regarding PREPA RSA;
- Preparation and presentation to FOMB and creditors regarding possible alternatives to PREPA RSA that do not rely on passage of demand protection legislation;
- Analyses and calls with creditors and their advisors regarding PREPA RSA structure;
- FOMB weekly meeting presentations on PREPA T&D RFQ process and responses, following Citi contact with more than 50 potential respondents;
- Discussions with AAFAF regarding status and size of FEMA funds for PREPA and implications of T&D P3 structure for preservation of eligibility for future FEMA funding;
- PRSASA liquidity review and discussions with AAFAF’s advisors regarding liquidity and Federal agency debt negotiations;
- Prepare and present status update to FOMB on PREPA debt and comparing creditors’ and Commonwealth’s positions regarding alterations to PREPA RSA;
- Status updates to FOMB concerning negotiations for PRASA restructured debt;
- FOMB strategy sessions regarding steps towards Commonwealth plan of adjustment, Commonwealth cash update, debt sustainability metrics, PREPA RSA progress and next steps towards PREPA agreement with broader support and PREPA T&D transformation project;
- Work with Federal tax counsel on request to IRS regarding tax exemption treatment for new COFINA bonds and how to manage timing of IRS response relative to COFINA plan confirmation timetable given conclusion of Federal government shutdown;
- Discussions with AAFAF advisors regarding PRIFA Ports bonds, and with AAFAF banking team regarding rating agency meeting feedback;

- Continuing work with AAFAF and PREPA advisors regarding RSA;
- Conference calls with FOMB counsel, AAFAF and its counsel and COFINA creditors' counsel regarding flow of funds and addition of expanded banking services agreement in light of Hacienda's implementation of new tax and revenue IT system in December 2018;
- In conjunction with public side employees, field numerous calls regarding COFINA mediated settlement and proposed amendments;
- Analysis regarding current market trading levels and holders of each of the Puerto Rico credits.

## **JANUARY 2019**

- Work on bond rating agency responses to legal questions relating to PROMESA with Proskauer and AAFAF counsel;
- Meetings and calls on Qualified Management Agreement contract rules to preserve PREPA debt tax exemption eligibility in connection with PREPA T&D P3A concession structure;
- Extensive meetings at Citi with P3A counsel regarding inter alia PREPA T&D transformation, QMA structure, preservation of eligibility for Federal FEMA and CDBG funds, PREPA regulatory framework, concession comparable transactions (e.g., LIPA-NJEG QMA, post-Hurricane Sandy), bidder evaluation criteria, bidder base and incentive compensation structure, PREPA employee CBA and other transition matters, integrated resource plan and other necessary legislative and regulatory requirements for PREPA transformation;
- Continuing work with AAFAF advisors on PRIFA Ports bonds restructuring proposals;
- Preparation of briefing for FOMB on results of GDB Title VI restructuring and "double haircut" analysis relating to new GDB DRA trading values;
- COFINA follow up regarding rating agency discussions;
- COFINA litigation response work relating to potential appellate challenges to COFINA plan of adjustment;
- Aid monoline insurers with calculation of accredited value on original COFINA capital appreciation bonds to settle out insurance claims with bondholders having monoline insurance;
- Aid AAFAF team executing COFINA plan of adjustment on all aspects of agreement, with focus on bond calculations, agreed payouts on effective date, determination of new CUSIPS and other mechanical issues presented in the plan;
- Aid creditors and their advisors on final COFINA plan confirmation details;

- Prepare declaration of David Brownstein in support of COFINA plan confirmation, and attend confirmation hearing;
- Meetings with AAFAF and advisors on COFINA plan confirmation details, and on PREPA RSA and next steps towards PREPA T&D transformation;
- Assist Proskauer in responding to COFINA plan confirmation objections;
- Calls and meetings with other FOMB advisors as to Commonwealth plan of adjustment, specifically relating to pensions and CBAs and confirmation requirements including “best interests” test;
- Assist FOMB advisors with a series of due diligence calls regarding the Commonwealth fiscal plan with creditor advisors;
- Assist Proskauer and its claims reconciliation agent on series of municipal CUSIPs as to which questions were interposed;
- PREPA P3A partnership committee meetings regarding PREPA T&D transformation;
- Multiple calls and meetings with tax counsel regarding steps being taken to maximize tax exempt treatment of new COFINA 2.0 bonds;
- Prepare declaration of David Brownstein regarding new PREPA RSA;
- Multiple reviews and meetings relating to draft analysis of Commonwealth cash by FOMB cash analysis consultant;
- PREPA RSA work including back-and-forth proposals between FOMB and ad hoc creditor group, and numerous alternative structures run;
- FOMB meetings on Commonwealth Title III matters, including cash analysis, union and pension and retiree negotiations, Systema 2000 defined contribution plan funding approach and Commonwealth debt restructuring options for FOMB and PREPA RSA and PREPA T&D transformation projects;
- Preparation of final COFINA securities structure and related COFINA documentation for confirmation process.

#### **BASIS FOR RELIEF REQUESTED**

10. PROMESA section 316(a) provides that the Court “may award to a professional person employed by ... the [FOMB] (in [its] sole discretion) ... (1) reasonable compensation for actual, necessary services rendered by the professional, or attorney and by any paraprofessional employed by any such person; and (2) reimbursement for actual, necessary expenses.”

11. Pursuant to subdivision (c):

In determining the amount of reasonable compensation to be awarded to a professional person, the court shall consider the nature, the extent, and the value of such services, taking into account all relevant factors, including—

- (1) the time spent on such services;
- (2) the rates charged for such services;
- (3) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this chapter;
- (4) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;
- (5) with respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and experience in the restructuring field; and
- (6) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title or title 11, United States Code.

12. PROMESA section 317 and the interim compensation order permit professionals to apply for allowance of compensation and reimbursement of expenses on an interim basis.

13. Each factor set forth in section 316(c) supports the allowance of the compensation sought herein on an interim basis.

(a) Time spent on services rendered. Citi devoted nearly 7,000 hours providing services on behalf of the FOMB during the Compensation Period, as is summarized on the prefixed Summary Sheet. Significantly, there has been virtually no turnover among the Citi senior executives leading this engagement; and so, relatively little of that time has been devoted to bringing professionals up to speed on this complex engagement.

(b) Fees charged. As set forth in the Leffler Certification (defined below), the fees charged for this engagement are consistent with those customarily employed by Citi in other municipal restructuring engagements.

(c) Whether Services were necessary or beneficial. The services rendered were necessary to the administration of these Title III cases, and beneficial when rendered. The FOMB engaged Citi for the express purpose of providing these services.

(d) Timeliness of services rendered. No issue has been raised concerning the timeliness of services rendered by Citi.

(e) Restructuring Experience. Citi has a wealth of municipal restructuring experience. Citi is one of the largest municipal securities dealers in the United States, and has played an active role nearly in most major municipal restructurings in the United States for at least the past two decades. It was extremely well versed with complex issues facing the Debtors long before commencing this engagement.

14. The certification required by Rule 2016 and P.R. LBR 2016-1(a)(4) is annexed hereto as Exhibit 5 ("Leffler Certification").

**NO PRIOR REQUEST**

15. No prior request for the relief sought herein has been made to the Court or to any other court.

WHEREFORE, Citi requests an order allowing interim compensation for services rendered during the Compensation Period in the amount of \$1,975,000 and reimbursement of expenses incurred during such period in the amount of \$41,623.98 and granting such other and further relief as the Court deems just and proper.

Dated: October 9, 2020

Respectfully submitted,

/s/ Mike Leffler  
Mike Leffler  
Director  
*Citigroup Global Markets Inc.*

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